

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-10 NSAE-00 ICA-11
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FM AMEMBASSY BERN
TO SECSTATE WASHDC 6155
INFO AMEMBASSY ANKARA
AMEMBASSY PARIS

C O N F I D E N T I A L BERN 1918

USOECD

E O 11652: GDS
TAGS: EFIN, SZ
SUBJ: SNB PRES LEUTWILER'S COMMENTS TO AMBASSADOR ON CURRENT
MONETARY SITUATION AND PROSPECTS ADDITIONAL SWISS LOAN
TO TURKEY

1. DURING APRIL 24 CONVERSATION WITH AMBASSADOR, SNB PRES
FRITZ LEUTWILER MADE FOLLOWING COMMENTS:

A) EXCHANGE MARKETS AND US MONETARY POLICY:
LEUTWILER SAID: (1) QUITE COMFORTABLE WITH DOLLAR AND DM
AS THEY ARE; (2) HE IS NOT TO BE QUOTED. BELIEVES
SWISS ECONOMY OK IN 1979 PROVIDED DOLLAR FLUCTUATES
NEAR PRESENT LEVEL. HOPES DOLLAR WILL NOT APPRECIATE
TOO RAPIDLY AND THEN FACE RAPID DEPRECIATION.

B) A EUROPEAN JOINT FLOAT: LEUTWILER SAID HE
DOES NOT THINK THAT THIS IS PRACTICAL INASMUCH AS
THERE ARE VERY FEW CANDIDATES AND HE DOES NOT AGREE
WITH CHANCELLOR SCHMIDT'S IDEA OF MAKING LARGE
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CREDITS AVAILABLE TO THE ITALIANS TO ENABLE THEM TO
JOIN. FURTHERMORE, HE NOT IN FAVOR OF ANY EUROPEAN
FLOAT DESIGNED IN OPPOSITION TO, AND NOT
IN COOPERATION WITH, THE US. IN HIS VIEW DOLLAR
WILL REMAIN THE RESERVE CURRENCY OR TRANSACTION
CURRENCY FOR FORESEEABLE FUTURE.

C) TURKEY: PROSPECTS FOR A NEW SWISS LOAN:
LEUTWILER SAID THAT HE IS MOST UNEASY ABOUT GRANTING
ANY FURTHER CREDITS TO TURKEY. DIFFICULT TO UNDERSTAND
THE PSYCHOLOGY OF PEOPLE WHO ASK FOR POSTPONEMENTS
BEFORE THE FIRST INSTALLMENT IS DUE, THEN ASK FOR
FURTHER POSTPONEMENTS, FINALLY PROMISE A \$5 MILLION
PAYMENT ON A \$100 MILLION LOAN, AND THEN ASK FOR
AN ADDITIONAL \$100 MILLION. WHEN IT SEEMED THAT
THE NETHERLANDS AND THE UK WOULD PARTICIPATE IN
A BRIDGING OPERATION TO ALLOW TURKEY TO WORK OUT ITS
REMAINING DIFFERENCES WITH THE IMF, HE WAS MORE RECEPTIVE.
NOW, HOWEVER, HE HAS BEEN INFORMED THAT NEITHER
COUNTRY WILL PARTICIPATE WHICH LEAVES ONLY
SWITZERLAND, BELGIUM AND GERMANY. ALTHOUGH HE DID
NOT STATE THIS CLEARLY, HE IMPLIED THAT GIVEN OUR
GREAT INTEREST IN TURKEY, WE MIGHT DO MORE TO PERSUADE
OTHERS IN A POSITION TO HELP TO DO SO. WARNER

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

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